

Risk assessment table / PFM RP Action Plan 2022

| No. | Functional area | Impact area | Risk trigger event, situation or factor | Risk level | Mitigation measure | Responsibility | Deadlines (dd/mm/yyyy) | | | Completed ? (Yes / No) | Risk active / closed ? |
|---|--|--|---|------------|--|---|------------------------|----|------|------------------------|------------------------|
| Pillar I - Economic Analysis, Macroeconomic and Fiscal Framework | | | | | | | | | | | |
| | Priority 1. Revenue Forecasting and Reporting | Measure 1: Improving tax and customs reporting in accordance with the EU best practices Measure 2: Enhancing tax and customs modelling capacity | Not getting the needed technical assistance | Moderate | Realisation of permanent trainings of the employees | MoF and partners for technical assistance | 31 | 12 | 2025 | No | Active |
| | | | Insufficient human capacity | | The Ministry of Finance should employ qualified personnel | MoF | | | | | |
| | Priority 2. Economic Analysis and Macroeconomic Forecasting | Measure 1: Capacity building for economic analyses Measure 2: Developing new macroeconomic models | Insufficient capacities | Moderate | The Ministry of Finance needs to employ highly qualified personnel for matters related to macroeconomic projections and macroeconomic data analyses | MoF | 31 | 12 | 2025 | No | Active |
| | Priority 3. Strengthening Debt Management | Measure 1: Reduction of operational risks in public debt management | Insufficient human capacity | Moderate | The Ministry of Finance should employ highly qualified personnel for matters related to public debt management (knowledge of the international capital | MoF | 31 | 12 | 2025 | No | Active |
| | | | Outflow of educated staff | | Permanent training and improvement of the existing staff in the public debt management unit is needed | | | | | | |

| Pillar II - Revenue Mobilisation | | | | | | | | | | |
|------------------------------------|--|--|----------|--|---|----|----|------|-----|--------|
| Priority 1. Tax and Customs Policy | Measure 1: Improved Revenue Legislation Framework, Harmonised with the EU Acquis | Outflow of educated staff | Moderate | The Ministry of Finance should employ highly qualified personnel for matters related to drafting tax legislation and harmonisation with EU Acquis public debt management (knowledge of best EU tax practices) | MoF and PRO | 31 | 12 | 2024 | No | Active |
| Priority 2. Tax Administration | Measure 1: Strengthen administrative capacity for better revenue collection and tax compliance | Untimely implementation of all stages in the process of making legal changes | Low | Continued communication between PRO and MF | PRO, MF | 31 | 12 | 2025 | No | Active |
| | | Not introducing compliance risk management | Moderate | Establishment of Compliance Risk Management Committee | PRO (CRMU) | 1 | 1 | 2024 | Yes | Closed |
| | Measure 2: Digital transformation of the PRO with the establishment of an Integrated Tax Information System (ITIS) | Insufficient commitment to high management | Low | Establishment of Reform Steering Committee | PRO (PRO's Collegium) | 1 | 1 | 2024 | Yes | Closed |
| | | Lack of finance | Moderate | Strong commitment and coordination of all stakeholders to secure finance | PRO (PRO's Collegium), MF | 1 | 1 | 2025 | No | Active |
| | | Lack of capacity and commitment of PRO's employees, especially IT staff | Moderate | Strong commitment and coordination of all stakeholders to increase the capacity of the IT staff | PRO (PRO's Collegium+HRS) | 1 | 1 | 2025 | No | Active |
| | | Significant changes in the legislation | High | Harmonization with existing legislation | PRO, MF | 1 | 1 | 2025 | No | Active |
| Priority 3. Customs | Measure 2: Modernization of customs services and their digitalization | A different level of staffing of customs services can be an incentive for organized criminal networks to redirect their operations to border points with weaker customs control. | Medium | Adequate education of human resources according to needs and provision of appropriate technical means for better equipment, monitoring of the situation and coordination of all border points, including cooperation with other institutions with competences at border crossings. | Customs Administration, Ministry of Finance | 31 | 12 | 2025 | No | Active |
| | | Timely and quality implementation of trainings for handling the new sophisticated control equipment | | Coordination between the concerned organizational units in the Customs Administration, the project teams and the staff of the Customs Administration during the definition and implementation of the trainings | Customs Administration | | | | | |
| | | Untimely implementation of all stages in the process of alignment with EU systems | | Timely provision/approval of available financial resources, Commitment and timely coordination of all stakeholders | Customs Administration, Ministry of Finance, (EU) | | | | | |

| Pillar III - Planning and Budget | | | | | | | | | | |
|--|---|--|----------|--|--------------------------------------|----|----|------|----|--------|
| Priority 1. Budget Planning | Measure 1: Advancement of medium-term planning | Human potential for implementation | Average | Personnel strengthening in the Ministry of Finance and budget users through training and professional development | Ministry of Finance and Budget users | 31 | 12 | 2025 | No | Active |
| | Measure 2: Improved budget planning and development of measurable performance indicators | | | | | | | | | |
| | Measure 3: Fiscal consolidation for gradual and sustainable reduction of the budget deficit | | | | | | | | | |
| Priority 2. Strengthened Public Investment Management | Measure 1: Planning Sustainable Levels of Investment | Untimely and insufficient staffing of the PIM Department in the MoF with qualified staff | High | Planning and realisation of new recruitments in the PIM department; Implementing a policy/strategy for attraction, motivation and retention of qualified staff | MoF | 31 | 12 | 2024 | No | Active |
| | Measure 2: Improved project appraisal, selection and allocation of resources for capital investments | | | | | | | | | |
| Priority 3. Effective Instruments under the Growth Acceleration Plan | Measure 1: Establishment of different funds in the state institutions and development of different financial instruments | Untimely adoption of the legal changes regarding the establishment of the Funds and units in the institution | Moderate | Strong commitment and coordination of all stakeholders to secure establishment of the funds and units for strengthening capacities. | FITD/FEZ/DBNM/ALRD | 31 | 12 | 2025 | No | Active |
| | Measure 2: Strengthening the capacities of various institution | | | | | | | | | |

| Pillar IV - Public Procurement | | | | | | | | | | |
|---|---|--|-------------|---|-------------------------|----|----|------|----|--------|
| Priority 1. Public Procurement Policy | Measure 1: Strengthening institutional capacities | Whether all concerned institutions will be involved in the activities of the advisory group | Low | Ensuring strong commitment, effectiveness and coordination between stakeholders | PPB | 31 | 12 | 2024 | No | Active |
| | | Untimely adoption of the legal changes regarding the education system of the Public Procurement Bureau | Substantial | Timely initiation of the procedure for legal amendments | PPB/MF/GOV/Assembly | 31 | 12 | 2025 | | |
| Priority 2. Public Private Partnerships (PPPs) | Adoption of the Law on Public Private Partnership | The Proposal Law on public private partnership is in the phase of sent requests for opinion from the relevant institutions. After the harmonizing with the opinions the Draft Law on public private partnership will be delivered in the Government procedure. | Medium | Ensuring strong commitment, effectiveness and coordination between stakeholders | Government/Assembly | 31 | 12 | 2024 | No | Active |
| Priority 3. Appeal Mechanism | Strengthening the administrative capacity of SAC and increasing the transparency, efficiency and effectiveness of SAC | 1. Inability to decide within the legal deadlines, possibility for outflow of professionally qualified staff 2. Possibility of outflow of professional staff and bringing in a situation of difficult functioning of the Commission 3. System failure | Substantial | Strengthening the administrative capacity of the SAC through the employment of a sufficient number of qualified experts | SAC/Ministry of Finance | 31 | 12 | 2024 | No | Active |
| Pillar V - Integrated Public Finances | | | | | | | | | | |
| Priority 1. Implementation of an Integrated Financial Management Information System (IFMIS) to Support the Implementation of Public Financial Management Reforms and Organic Budget Law | Measure 1: IFMIS is fully operational to support the implementation of OBL reforms | Insufficient staffing and insufficient training of human resources | Moderate | Selection of experienced and qualified personnel in the Working Body for IFMIS and their appropriate training is required | MoF | 31 | 12 | 2024 | No | Active |
| Priority 2. Strengthen the Accounting of Budgets and Budget Users | Measure 1: Strengthening the accounting system by applying of new accounting practices | Insufficient human capacity in the Financial System Department | low | The Ministry of Finance should employ highly qualified personnel for work related to knowledge in the field of accounting in the public sector. | MoF | 31 | 12 | 2024 | No | Active |
| Priority 3. Public Finance Academy | Continuous training in the field of public finance | Insufficient human resources in the Academy of Public Finance | Medium | planning new hires - establishment of motivation and retention policies | MoF | 31 | 12 | 2025 | No | Active |

| Pillar VI - Public Internal Financial Control | | | | | | | | | | |
|---|--|---|-------------|---|--|----|----|------|----|--------|
| Priority 1. Financial Management and Control | "Harmonization of the system of internal financial control in the public sector in the Ministry of Finance" | Insufficient staffing and training of personnel resources | Medium | planning new hires - establishment of motivation and retention policies - provision of continuous trainings | MoF and public sector entities | 31 | 12 | 2025 | No | Active |
| Priority 2. Internal Audit | | | | | | | | | | |
| Priority 3. Financial Inspection | Improving the legal framework | Insufficient human capacity | High | Commitment of top and middle management | Assembly of RNM | 31 | 12 | 2024 | No | Active |
| | Introducing a system of annual remuneration of financial inspectors based on results | Non-enactment of the Law on Financial Inspection in the Public Sector | Moderate | Strong commitment and coordination of all stakeholders for the adoption of the new Law on Financial Inspection in the Public Sector | MoF | | | | | |
| | Improved methodologies and systematization (increasing the added value of the financial inspection function) | Non-adoption of the Law on Financial Inspection in the Public Sector | Substantial | Strong commitment and coordination of all stakeholders | MoF | | | | | |
| | Designing a concept for obtaining a license for a financial inspector | Failure to submit a Program for theoretical training and practical work and a Program for taking and conducting an exam for obtaining a license for a financial inspector | Moderate | Strong commitment and coordination of all stakeholders | Ministry of Finance and Twinning project | | | | | |
| | Preparation of the Program for the training of financial inspectors on an annual level | Failure to adopt a Program for the training of financial inspectors on an annual level | Low | Top management commitment | MoF | | | | | |

| Pillar VII - External Control and Parliamentary Oversight | | | | | | | | | | |
|---|---|---|----------|--|---|----|----|------|-----|--------|
| Priority 1: External Control and | Strengthen the legal framework for external audit | New draft State Audit Law for strengthening SAO financial and operational independence not submitted and not adopted by the Assembly of RNM | Moderate | Within the Twinning project activities, new draft State Audit Law was prepared. Opinion on the draft law was provided from: the twinning partner SAIs of the Republic of Croatia and the Republic of Bulgaria; DG Budget of the European Commission; and INTOSAI Development Initiative (IDI). Auditor General handed over the draft State Audit Law to the Minister of Finance for further action and meetings are held between representatives from both institutions. | State Audit Office, Ministry of Finance and Assembly of RNM | 31 | 12 | 2024 | No | Active |
| Priority 2: Parliamentary Oversight | Establishing mechanism for reviewing audit reports and measures taken upon audit recommendations by the Assembly of RNM | Inability to sign a Memorandum of Cooperation between the Assembly and the SAO | Moderate | High-level meetings were held between the Auditor General and the President of the Assembly of the RNM, also representatives from the Assembly of the RSM actively participated in the activities of component 3 of the Twinning project, within which the activity for drafting a Memorandum of Cooperation is foreseen. During 2022, a Memorandum of Cooperation was concluded between the SAO and the Assembly. | SAO, Assembly of RNM | 31 | 12 | 2022 | Yes | Closed |
| | Establishing mechanism for reviewing audit reports and measures taken upon audit recommendations by the Assembly of RNM | Inability to prepare and adopt Procedures of the Assembly of RNM for the mechanism for review of audit reports | | In the framework of activities of component 3, written procedures for the Parliament of the Republic of North Macedonia have been developed for the delivery and review of audit reports and other documents to be by the Parliament. They will be final after the adoption of the new Law on State Audit and adjustment of the content of the procedures with it. | | 31 | 12 | 2024 | No | Active |
| | Strengthening the institutional capacities for reviewing audit reports in the Assembly of RNM | Inability to prepare amendments to the existing Manual "Introduction to Audit Reports" | | A new Manual "The role of the State Audit Office and the Parliament in strengthening the efficiency in the management of public finances" has been prepared. It will be finalised after signing the MoU between SAO and Assembly of RNM and adjusting it. | | 31 | 12 | 2022 | Yes | Closed |
| | Strengthening the institutional capacities for reviewing audit reports in the Assembly of RNM | Inability to prepare a training plan | | This activity will be implemented after adoption of the new State Audit Law, a training plan for MP and Assembly Staff will be prepared for strengthening institutional capacities for reviewing audit reports in the Assembly of RNM | | 31 | 12 | 2024 | No | Active |

| Pillar VIII - PFM at Local Level | | | | | | | | | | |
|---|---|---|-------------|--|--|----|----|------|----|--------|
| Priority 1. Fiscal Decentralisation Measure 1: Improving Fiscal Capacity and Increasing Municipal Revenues | New / revision of the Law on Financing of Local Self-Government Units | Late adoption of the new Law on Budgets, which is the basis for the preparation of this law | High | Strong commitment and coordination of all stakeholders for the adoption of the new law | Ministry of Finance and Parliament of RSM | 31 | 12 | 2024 | No | Active |
| | Increasing the own revenues of the municipalities, increasing the funds allocated to the municipalities from the central budget and introducing criteria for success and equalization | insufficient human capacity and limited financial resources, the need for additional analyzes and research, as well as a more ethical will to solve the problem | Moderate | Strong commitment and coordination of all stakeholders | Ministry of Finance, municipalities and Government of RSM | 31 | 12 | 2025 | | |
| | Revision of the criteria for allocation of block and earmarked grants and determination of criteria for allocation of capital grants | insufficient human capacity and limited financial resources, the need for additional analyzes and research, as well as a more ethical will to solve the problem | | | Ministry of Finance, Ministry of education and science Ministry of labor and social Policy Ministry of culture Ministry of defense Other competent ministries and institutions from where capital grants are transferred | | | | | |
| Priority 1. Fiscal Decentralisation Measure 2: Regional and Local Development | Establishment of the Agency for regional and local development and achieving balanced regional development | complexity of the procedure | Substantial | Strong commitment and coordination of all stakeholders | Ministry of Local Self Government | 31 | 12 | 2024 | No | Active |
| Priority 2. Financial Discipline, Transparency and Accountability at Local Level Increasing of the financial discipline | Realistic planning of the revenues and expenditures of the municipalities | insufficient human capacity | Moderate | Strong commitment and coordination of all stakeholders, especially of municipalities for implementation of provisions of the Law on financing LSGU | Municipalities and Ministry of Finance | 31 | 12 | 2025 | No | Active |
| | Rationalization of operations and reduction of unnecessary expenses | | | Strengthening of human capacities | Ministry of Finance | | | | | |
| | Analysis of the liabilities of the municipalities, declaring financial instability and taking measures for financial consolidation | | | Strong commitment and coordination of all stakeholders | | | | | | |
| Priority 2. Financial Discipline, Transparency and Accountability at Local Level Measure 2. Increasing the transparency and accountability in the work of the municipalities | Increasing control by the state | Not adpting the new Law on financial inspection in the public sector | Moderate | Strong commitment and coordination of all stakeholders | Ministry of Finance | 31 | 3 | 2024 | No | Active |
| | | Not organising and performing the exam for acquiring licence for financial inspector | Substantial | Strong commitment and coordination of all stakeholders | Ministry of Finance | 31 | 12 | 2024 | | |
| | Improving the transparency and timely informing the general public about the work of the municipality | insufficient human capacity | Moderate | Strengthening of human capacities | Ministry of Finance | 31 | 12 | 2025 | | |